

Seventy-Seventh Annual General Meeting

Thursday, 22nd August, 2013

Address by **Dr. Y. K. Hamied**
Chairman

Ladies, Gentlemen, Friends and Colleagues,

I welcome you to the 77th AGM of your Company. Today, we are in an entirely new location which hopefully will be a good omen for the future. With your permission, I take as read the Directors' Report and the audited accounts for the year ended 31st March 2013.

This year, the Directors' Report gives a very comprehensive and detailed analysis of your Company's working, aims, objectives, pitfalls and opportunities. My address to you is therefore likely to be a partial repetition, but I will certainly raise for your consideration a few major issues facing us.

We have crossed another milestone in that our sales turnover exceeded Rs. 8000 crores, an increase of 17% over the previous year. Correspondingly, the profit after tax has increased to over Rs. 1500 crores. These figures primarily present a robust picture of growth and progress. It is commendable when one considers the recent difficulties in the global pharma market, downturn in the global economy and its adverse impact on India. One therefore has to tread carefully, cautiously and objectively to cope with the road ahead. During the current year, our 1st quarter results were most heartening and for the 4 month period upto end July 2013, the growth has exceeded 20%. We are optimistic that for the remainder of the year we will be able to maintain our progress.

Last year at our AGM, I had mentioned that we were engaged in rationalization, building operational excellence and consolidation. We have supplemented our existing human resources, and we now have in place a restructured management team in the Company. We strongly believe that this is the only way forward to cope with the future and continue to stay ahead. Cipla will continue to build on its strong identity, company culture and the humanitarian approach it follows by providing access to medicines at affordable prices, and the belief that none shall be denied medication.

At this stage, I would like to introduce to you, Subhanu Saxena, who since February 2013 has been our Chief Executive Officer and from last month has taken on the additional responsibility of Managing Director. He has considerable international experience in diverse industries, both pharma and non-pharma. I have happily passed on my previous mantle to him knowing full well and with the utmost confidence that with him Cipla will rise to greater heights and build on its core strengths and values, be more competitive, and give you, our shareholders, a Company that you can be proud of, and

one that will continuously give you a better value for your holding. I would also like to introduce to you our Global Chief Financial Officer, Rajesh Garg, who brings to Cipla his rich experience of over 22 years in many diverse industries. Cipla welcomes on its board, Ashok Sinha as a Non-Executive Director. We are happy and honoured to have him with us. He has a long history of yeoman national service in industry, having been the head of Bharat Petroleum for many years. He will certainly add immense value to our Company.

The overall changing scenario in healthcare has necessitated taking strategic and major decisions to maximize our effectiveness. This has led us to focus even more strongly on our efforts overseas and give a fresh impetus to our international business. In 1995, our exports were around 10% of our sales revenue. Today the figure is 55% and this is likely to increase in the years ahead. Key therapeutic areas such as oncology, respiratory, AIDS and malaria are being specifically targeted. Cipla will focus on building its own marketing and sales fronts in many countries, the prime focus being Africa and the major regulated markets worldwide. We will simultaneously develop strategic partnerships in countries which have a high potential but where currently we have a low presence. These include Japan, Brazil, Turkey, etc.

Last month, Cipla acquired 100% of the South African company Cipla Medpro. Cipla Medpro is the third largest pharma company in SA, and has a bigger market share in SA than even Cipla here in India. This acquisition will enable us to strengthen our position not only in South Africa, but also to expand our activities in other parts of Africa, thus giving Cipla a footprint in one of the major continents of the world. Cipla, because of its humanitarian work over the past dozen years in HIV/AIDS, has an excellent, well respected name and reputation throughout Africa. This will further activate and enhance our potential. We already have a major presence in Uganda and we will use this to improve and expand our manufacturing base there to provide medicines to neighbouring countries as well. We are also expanding our base in Algeria and Morocco as part of our North African thrust.

Cipla continues to be among the leading pharma companies domestically, with the widest range of dosage forms and covering nearly all therapeutic categories. We have over 30 manufacturing units across the country from Sikkim, to Baddi in Himachal Pradesh, Patalganga and Kurkumbh in Maharashtra, Indore in M.P., Bengaluru and Goa. All are state-of-the-art plants in the world and we can be justly proud of our manufacturing and technical prowess, developed over the past many decades. A number of our units have approvals from leading international regulatory authorities. We offer over 100 APIs (Active Pharmaceutical Ingredients) and a wide portfolio in excess of 1000 drug formulations to over 150 countries worldwide.

During the year, we have made significant investments in increasing our capacities in both APIs and formulations. Apart from this, we have expanded our R&D Centre at Vikhroli, Mumbai and also the R&D Centres for API development in Patalganga and Bengaluru. R&D has always been the foundation and backbone of the Company and this expertise developed over the years is our core strength. The ongoing commitment

to R&D has been the most important contributor to our progress and success over the years.

In the area of healthcare, governments in most countries play a crucial role by supporting their own indigenous industry in every possible way. It is therefore imperative that our government also takes the initiative to support our pharma industry which is not only the caretaker of the health of the nation, but also plays an important role in supplying medicines worldwide. The Indian population is likely to reach a figure of 1.65 billion by 2050. The government therefore cannot ignore the health needs and aspirations of millions of our people. They are the guardians of our nation. If India has to grow into a global economic power it will need to access education, health and nutrition for all. Industry is willing to invest in innovation and manufacture to improve patients' lives if the government provides the support and incentives to do so, so that together we can build a pharma industry that is the envy of the world. Cipla should be taken into confidence to devise policies in the pharmaceutical domain for the betterment of our country. India should be free to formulate its strategy and enact its own laws in its self interest. We should decide for ourselves our own destiny.

In May 2013, the Department of Pharmaceuticals notified a new Drugs (Prices Control) Order, 2013 under which prices of 348 medicines have been brought under price control, thus replacing the earlier order of 1995 that regulated prices of 74 drugs. There is a major shift from cost-based to market-based pricing methodology under the new policy which is expected to benefit consumers. While the move to market-based pricing is positive, the Government must focus on the issue of affordability and access for all medicines. In India, the prices of branded generic drugs are already among the lowest in the world. There are a few provisions in the new DPCO that are impractical to implement especially the one pertaining to retrospective price implementation. Some of these issues have been challenged.

The transition from the old pricing regime to the new is causing disagreement among the Government, companies and the trade. This is already leading to the trade curtailing purchases and is bound to have a negative impact on the immediate sales of all pharma companies. In all likelihood this will lead to major shortages of life saving drugs. The government must step in and issue directives, otherwise this impasse could last for several months and disrupt the normal business of companies, including ours.

It is 8 years since the Indian Patents Act was amended and its major negative impact on the consumers and the Indian Pharma Industry is continuing to be felt. All patented medicines are highly unaffordable and thus not freely accessible. Until the passing of the 2005 Indian Patent Bill, there were multiple affordable choices for the consumers leading to access to life saving medicines.

The Indian judiciary has played a stellar role in balancing the rights of the consumers and the monopoly rights of the patent holder through a series of judicial, path-breaking judgements. In particular, the recent landmark case between Novartis and Union of India in Supreme Court laid to rest once and for all the controversy over section 3(d) of the Patent Bill, 2005. This section stops what is called evergreening and extension of

patent life by minor and incremental modifications and where there is no novelty and no real innovation. This judgement has been highly acclaimed all over the world and it is heartening to note that other developing countries are in the process of introducing a similar provision in their own patent laws.

The Indian Government is under extreme pressure from the US and European pharma lobby to dilute its patent laws and so far the Government has held on resolutely. Our Commerce ministry has to be praised and lauded for this. Until now only one compulsory license has been issued in India. There are many more deserving cases where such licenses can be issued and the Government must therefore act positively in the country's interest. Apart from this, the Indian Patent Office must be vigilant and not allow frivolous and multiple patenting and evergreening of patents and must follow the judicial pronouncements in letter and spirit, so that unnecessary litigation can be avoided. Patent litigation in the Indian courts is getting extremely expensive and time consuming and one therefore has to be highly selective. We must use all the available legal flexibilities, so that medicines become freely accessible.

The past has been eventful for Cipla. We have faced many hurdles and have been able to cross these successfully. This spirit, culture and effort put in by one and all, both past and present, has given us a unique platform to move ahead. We are carefully planning our future within the framework of our resources and the infrastructure provided by the government. Today, Cipla is better equipped than ever to serve and fulfil the healthcare needs not only of India, but people everywhere. India can pride itself on being called the pharmacy centre of the world and your Company has played a significant role in this.

Cipla is embarking on a new chapter of expansion and growth. We have always valued the support, faith and trust of all our shareholders in the working of our Company and its management. Please maintain this and be proud to be a partner and an integral part of one of the best pharmaceutical companies of its kind anywhere. Shareholders, government and industry all have a common goal to improve the health of the nation. This is only possible if there is a vibrant local industry and where there is an incentive to bring the latest important medicines at fair and equitable prices to the market. Our government should ensure that monopolies are not allowed to exploit this.

I wish to thank one and all of you, as also to acknowledge the help and cooperation of all our Directors, staff and workers both in India and abroad. One of our Directors, Mr. Ramesh Shroff, is retiring from his Directorship. Over the past 26 years he has contributed and guided our Company to the enviable position in which we stand today. Let us all give him a hand. Thanks are also due to the medical profession and trade for their ongoing support. Lastly, a prayer to the Almighty to guide us successfully on the road ahead.

Thank you.

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